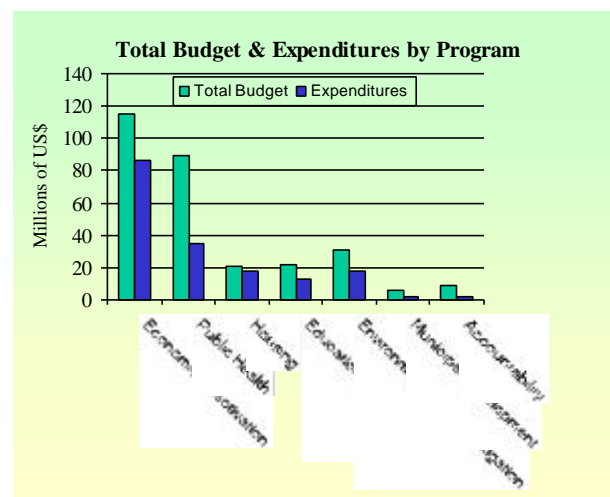
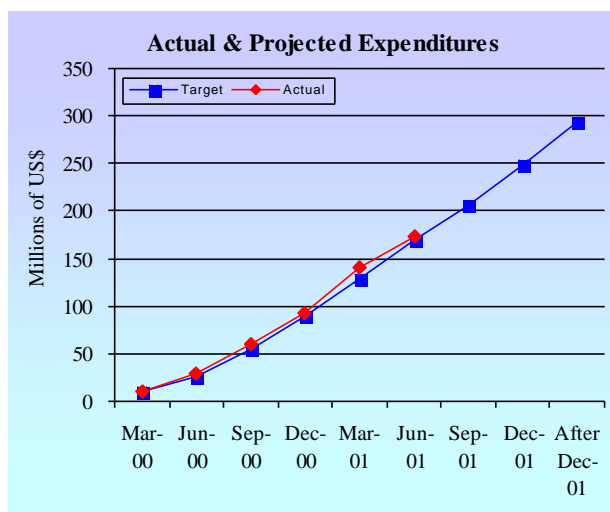


USAID Honduras Supplemental Reconstruction Programs

Response to Hurricane Mitch, October 1998

Status as of June 30, 2001

MAY 1999 SUPPLEMENTAL RECONSTRUCTION FUNDS (CACEDRF)	TOTAL BUDGET	OBLIGATIONS	COMMITMENTS	EXPENDITURES
	\$293,100,000	\$293,100,000	\$288,370,694	\$173,968,470



Impact of Hurricane Mitch

Hurricane Mitch caused staggering levels of destruction and dislocation throughout Honduras. Five feet of rain fell on Honduras in one week, killing an estimated 5,000 people, temporarily displacing up to half the population of six million and destroying the homes, farms, and businesses of tens of thousands of people.

Honduras' President Carlos Flores said, "Overall, what was destroyed over several days took us 50 years to build." This estimate includes economic losses at over \$4 billion. Transportation and productive infrastructure were severely damaged. The agricultural sector, which accounts for the majority of

Honduran exports, sustained nearly \$1 billion in losses. Much of the nation's social infrastructure such as water and sanitation systems, schools and health facilities was damaged and must be replaced.

Initial USAID Response

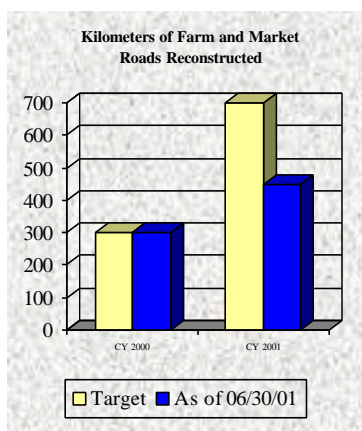
Right after Hurricane Mitch struck, USAID provided over \$27.8 million in immediate disaster and recovery assistance, including the repair of damaged water and sanitation systems that most threatened an outbreak of disease. \$42.5 million of emergency food assistance was released. USAID also redirected an additional \$33 million in funding and food assistance to initiate reconstruction activities prior to the passage of the Supplemental Reconstruction appropriation.

Reconstruction Programs

Based on disaster assessments, pledges from other donors and an analysis of USAID's capabilities, USAID decided to use supplemental funds to support the following:

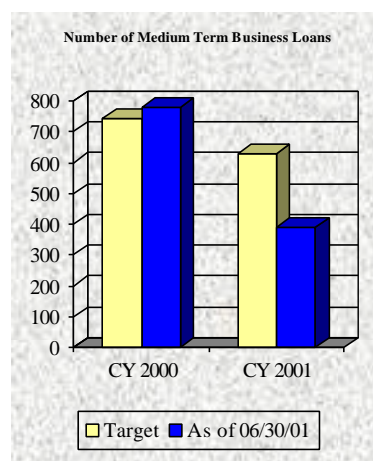
ECONOMIC REACTIVATION

Seventy to eighty percent of agricultural production was destroyed by Hurricane Mitch. To reactivate the agricultural sector, USAID is repairing or reconstructing 1,250 kilometers of farm-to-market roads and more than 4,000 meters of two-lane concrete bridges and 145 fords. USAID is also providing \$56 million of credit and technical assistance to re-capitalize micro-finance institutions and to permit medium-term lending to small and medium businesses in the agricultural sector, and to improve farmer know-how.



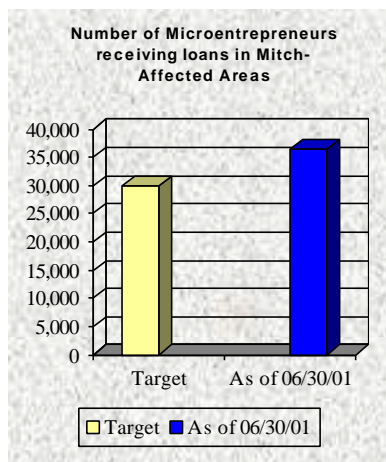
- **Roads and Bridges** – The \$49 million roads and bridges program managed through the Honduran Social Investment Fund (FHIS) has reconstructed 750 kilometers of secondary and tertiary roads with the balance of 457 kilometers under construction. 2,239 linear meters of bridges and fords have been completed. When finished, this program will join 375 communities, connecting close to 2 million people with secondary cities and commercial centers.

- In addition, community development NGOs have rehabilitated 143 kilometers of rural roads and built or reconstructed 35 fords or bridges.
- **Agricultural Credit** – \$28 million of USG-financed credit programs through commercial banks, NGOs, credit and savings cooperatives, and agricultural credit cooperatives are helping farmers to replace damaged water systems, buildings, fences, and machinery and to buy equipment needed to rebuild their productive capacity, as well as the planting materials and breeding stock needed to get started again. At this point, USG-financed credit programs have provided over 1,000 loans with over \$13 million in medium-term credit for small and medium agricultural producers.



- **Agriculture Technology Transfer** – Marketing Assistance has enabled recuperation of pre-Mitch markets and new markets for plantain, banana puree, frozen melon, papaya, pineapple, dairy products, and 28 other crops from the cottage to industrial levels. Total revenues of firms/farms to date since program inception are now more than \$9 million. Over 24,000 farm families and other micro to small entrepreneurs around secondary cities in Honduras have increased productivity, sustained employment

generation, and increase ancillary business linkages. These effects are being clearly seen. Neighboring countries of El Salvador and Nicaragua are presently requesting our expertise in the innovative processes of improving farm/firm competitiveness in the areas of high-value production and processing in non-traditional agricultural exports, fruits, vegetables, and dairy products.



- **Microenterprise Credit** - With \$8 million of the \$10 million disbursed, the program has already exceeded its target of 30,000 microentrepreneurs by 6,529. Their excellent repayment record and the ability of lending institutions to administer a high volume of loans has resulted in 135,330 loans being issued as of June 30, 2001.

PUBLIC HEALTH

USAID remains strongly committed to its effort to protect and improve the public health status of the Honduran people. Toward this end, USAID continues to strengthen the capacity of the Ministry of Health to provide a high-quality maternal-child health care package to Mitch-affected areas by training over 650 doctors and 2,700 nurses in improved delivery of integrated health care services for women and children, obstetric and pediatric emergencies, and management of childhood illness. NGOs, such as CARE and Catholic

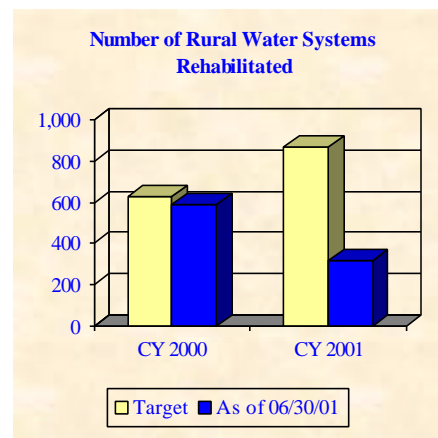
Relief Services, have helped extend this training in their areas of influence.

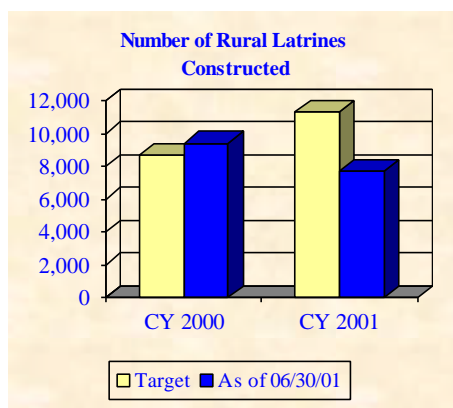
During the past quarter, a long-term strategy was developed to ensure sustainability and on-going supervision of these programs. Eleven pick-up trucks were received by the Ministry of Health and will be used to monitor training programs and increase patient access. Eleven rural ambulances will arrive in August.

Two important health campaigns, one relating to maternal and perinatal health issues and the other on child health, have been designed and carried-out. Eighty auxiliary nurses have received extensive training in patient care, and 180 environmental health technicians have been trained in environmental health issues.

- USAID has met its target of repairing 123 damaged health centers and re-equipping them with basic medical supplies. Through NGOs, USAID has supported the equipping of 75 additional rural clinics.

Water & Sanitation -- The National Water Authority (SANAA) has completed construction of 906 of the 1,469 rural water systems and 17,128 of the 20,000 latrines targeted, which will serve a population of 390,416. SANAA is rebuilding 33 small urban water systems for about \$8 million. One has already been completed. The overall percentage of construction is about 52%.





- Under the more complex \$80 million FHIS urban water and sanitation program, three water systems, three sewer systems and one storm drain system have been completed. Another 29 projects are underway. Contracting difficulties, however, led to the suspension of new contracting on February 23, 2001. While the suspension was lifted on May 29, only \$35 million has been contracted through this reporting period.
- New cost estimates based on contractor bids now show that only 67 of the planned 82 FHIS projects designed can be constructed within the budget. Moreover, as a result of the delays, the period within which the program can be completed had to be extended 14 months beyond December 31, 2001 to February 28, 2003. However, when completed, the reduced program will still benefit over one million people in 35 municipalities.
- Through a \$2.9 million contract with a U.S. firm, Groundwater monitoring studies are being carried out in Utila, the Sula Valley, and Limón de la Cerca in Choluteca.
- **Infectious Disease Control** -- Assistance in developing disease surveillance and information systems is being provided by the Center for Disease Control (CDC). Fifteen health workers were trained on how to develop health indicators and a team of field epidemiologists went to a regional CDC training in Guatemala. Local NGO

Proyecto Aldea Global has trained 63 people on prevention in rural areas of malaria, dengue, and other infectious diseases.

EDUCATIONAL OPPORTUNITIES

Hurricane Mitch damaged thousands of classrooms in hundreds of schools around the country. Many surviving schools became shelters for displaced families. Originally, USAID was committed to repairing 500 and constructing 200 new classrooms. Due to other donor and GOH efforts, USAID has modified its goals to finance the construction and/or reconstruction of 332 classrooms and repair 719 classrooms.

To respond primarily to the problem of unskilled workers losing their jobs as a result of Mitch and who will need higher educational and skills levels to find alternative employment, the non-formal, interactive, radio-based instruction program EDUCATODOS (Education for All) will develop and test at 100 sites instruction materials for the 7th – 9th grade levels. The construction of nine new vocational education facilities, and the expansion of six already existing facilities, will also provide skill development for economic reactivation and reconstruction.

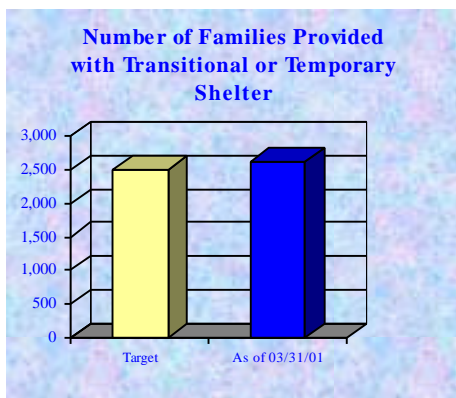
- **Classroom Reconstruction** – FHIS is building 256 new classrooms and repairing 504 classrooms. Non-governmental organizations are building or re-building 76 classrooms and repairing 215. As of June 2001, a total of 132 classrooms have been built or rebuilt, and 368 have been repaired.
- **Alternative Basic Education Programs** – The 7th grade curriculum for the alternative basic education program is now being offered in 103 sites with approximately 3,000 students enrolled in classes. All of the 7th grade text materials have been completed and over 90% of the radio-audio

scripts have been produced. Testing of the 8th grade curriculum is ongoing in one center.

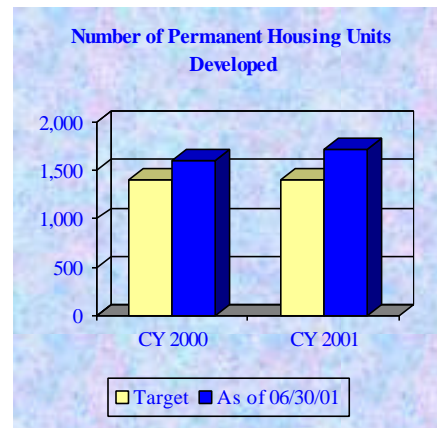
- **Vocational Education** – Additional workshops have been completed and inaugurated for two of the five existing vocational centers. The other three additions to the five existing centers are under construction and are about 65% completed. Work is still underway on five of the nine new centers with construction to start on the remaining four new centers in July.

HOUSING

In order to attend to both immediate and medium-term needs, the housing program targets both transitional and permanent housing solutions. Transitional housing initiatives have been completed and permanent housing activities are expected to surpass the original goal of 5,000 permanent solutions.



- Preliminary estimates indicate that approximately 3,324 permanent housing units have been completed, with another 2,327 under construction.



- Twenty-five sub-grants have been signed to date under the Cooperative Housing Foundation umbrella agreement, committing all \$6.2 million of funds earmarked for subgrants.
- An amendment to the International Organization for Migration's grant for macro shelter construction has been extended through December 31, 2001, in order to provide technical assistance to resettlement projects in the Tegucigalpa area.

The U.S. Department of Housing and Urban Development (HUD) continues to provide technical and financial assistance in three communities (Amarateca Valley, Chamelecón/Ribera Hernández, and San Juan Tela) to complement USAID housing construction and USAID water and sanitation investments with community development and community infrastructure activities.

ENVIRONMENT & DISASTER MITIGATION

The hurricane highlighted major weaknesses in Honduran disaster management and response, which USAID - along with USGS, NOAA, and FEMA - are improving. Much of the damage from Hurricane Mitch resulted from poor watershed management practices exacerbated by the lack of flood control infrastructure and flood warning systems. To stabilize the

hillsides of critical watersheds in 34 municipalities, USAID is supporting local NGOs and the corresponding municipal governments in the implementation of sustainable management practices in 15,100 hectares of agricultural land and 18,500 hectares of forests. Additionally, micro-watershed management plans are being developed for 73,000 hectares to assist in the protection of the drinking water supplies of over 200 communities in these 34 municipalities.

- **Improved hillside agriculture and forestry management** -USAID and USDA are executing intensive agriculture conservation and forest protection practices in all of the hillside areas selected in the 34 municipalities being assisted.
- Eight local NGOs working on sustainable land management practices have established 24 field offices staffed with 143 technicians to assist 4,000 farm families implement soil conservation practices; 4,072 families are already receiving assistance, and 481,000 trees have been planted.
- Partners of the Americas' Honduran Conservation Corps implemented environmental activities through 16 camps with 692 volunteers.
- Honduras' forest fire season runs from January to May. 2,392 persons, mostly volunteers, participated in forest fire protection activities in 60,000 hectares of forest, with excellent results.
- **Disaster response** - To support the Honduran Permanent Commission on Emergencies (COPECO) in preparing for and managing disasters, USAID/Honduras has provided COPECO with: equipment to process information and communicate with its regional offices, improved administrative and financial control

systems through Price-Waterhouse Coopers, and technical assistance on a legal framework for the new national disaster preparedness, mitigation and response system.

- A national disaster simulation exercise was held in May. OFDA, FEMA, and others provided financial and technical support for this event, the purpose of which was to bring to the attention of the authorities and citizens of Honduras the disaster preparedness of COPECO for the upcoming rainy season and potential emergencies arising from landslides, flooding, and an earthquake.
- **Early warning networks** - USGS and NOAA have installed an early flood warning system for the Choluteca watershed, including a system of rain gauges and stream flow monitoring stations, a data processing center within the National Weather Service (SMN), a flood watch program monitored by the Ministry of Natural Resources (SERNA), and a wide area network giving COPECO instant access to flood alert data.
- The U.S. NGO PADF has completed installation of community-based early alert systems in 8 micro-watersheds in 3 municipalities in the Aguan river basin. This early warning system has been selected as a model for nationwide replication with World Bank funding.
- The U.S. Army Corps of Engineers has completed construction of 9 of the 15 flood control sites in the Aguan and Choluteca River Basins. Five of the remaining six are nearing completion, and funds might permit an additional site to be developed.

MUNICIPAL DEVELOPMENT

Municipal governments are at the forefront of reconstruction activities in their communities.

USAID is helping municipalities implement reconstruction plans and address issues affecting reconstruction. Technical assistance and training are being provided to municipalities on issues related to reconstruction, restored financial health, urban development strategies and risk management.

- Seventeen integrated urban development strategies have been finalized, four more are in process, five for review, and four pending. Fifty-four municipalities have recuperated their income generation levels to their 1998 pre-Mitch levels.
- Fifty-eight municipalities have formed emergency committees and prepared emergency plans. In addition, 4,720 persons have been trained in disaster preparedness, mitigation and emergency planning.
- To assure the sustainability of USAID's water and sanitation investments, 27 studies on appropriate user fees have been completed for 17 municipalities and another 11 studies are in process for eight municipalities. Nine new public service units have initiated operations; twelve are planned.
- HUD is assisting with municipal planning, as well as housing issues in Tegucigalpa and San Pedro Sula areas.

ACCOUNTABILITY

With USAID's \$3.2 million contribution to a multi-donor fund, the Inter-American Development Bank has taken the first steps toward establishment of an inspector general-type operation within the Government of Honduras. This activity will promote efficiency and modernization as well as transparency in the use of public-sector resources.

USAID's Regional Inspector General (RIG) conducted a number of extensive programmatic and financial audits of reconstruction activities and provided final oversight on audits performed by local audit firms contracted and supervised by the GOH Controller General (CGR) to support the rigorous Hurricane Reconstruction Program evaluation and oversight plan. At this time, there are no open audit findings or recommendations. The USAID Mission continued to provide technical assistance to the GOH Controller General (CGR) to help it better perform its role as an audit and control mechanism and to fulfill its auditing and monitoring responsibilities over the hurricane reconstruction programs.

A survey to measure Honduran citizens' opinion and perceptions of corruption, governmental integrity, and other related issues was carried out its preliminary report has been reviewed and presented to USAID/Honduras. The report will be used to design and implement a public awareness campaign to increase citizen awareness of the importance of vigilance in the administration of public resources, knowledge about what kinds of problems to look for, and clear instructions regarding what to do if corruption is identified. A final report will be available in July 2001.

Commentary:

Please note that the expenditure projections have changed. These changes are a result of extensions of the completion dates for the FHIS urban water and sanitation program and the Agreement for the Inter-American Development Bank's Inspectoria de Proyectos activity. These extensions were approved by AID/W in close coordination with Congress and the OMB to allow for completion of these two critical activities. Based on the revised expenditure projections and current implementation rates, reconstruction spending is projected to remain on track.